

## Message Text

CONFIDENTIAL

PAGE 01 LONDON 20108 131701Z  
ACTION NEA-10

INFO OCT-01 ISO-00 AF-08 ARA-06 EA-07 EUR-12 FEA-01  
ERDA-05 AID-05 CEA-01 CIAE-00 CIEP-01 COME-00 DODE-00  
EB-07 FPC-01 H-01 INR-07 INT-05 L-03 NSAE-00 NSC-05  
OMB-01 PM-04 USIA-06 OES-06 SP-02 SS-15 STR-04  
TRSE-00 ACDA-07 PA-01 PRS-01 /133 W  
----- 111805 /71

R 131645Z DEC 76  
FM AMEMBASSY LONDON  
TO SECSTATE WASHDC 8687  
INFO AMEMBASSY BONN  
AMEMBASSY BRUSSELS  
AMEMBASSY COPENHAGEN  
AMEMBASSY DUBLIN  
AMEMBASSY LUXEMBOURG  
AMEMBASSY PARIS  
AMEMBASSY ROME  
AMEMBASSY THE HAGUE  
AMEMBASSY ABU DHABI  
AMEMBASSY ALGIERS  
AMEMBASSY CARACAS  
AMEMBASSY DOHA  
AMEMBASSY JIDDA  
AMEMBASSY KUWAIT  
AMEMBASSY LAGOS  
AMEMBASSY QUITO  
AMEMBASSY TEHRAN  
AMEMBASSY TOKYO  
AMEMBASSY TRIPOLI  
AMEMBASSY VIENNA  
AMEMBASSY NAIROBI  
AMEMBASSY JAKARTA  
USINT BAGHDAD  
USMISSION OECD PARIS  
USMISSION EC BRUSSELS

C O N F I D E N T I A L LONDON 20108

E.O.11652: GDS  
TAGS: ENRG, UK, IR  
SUBJECT: IRANIAN MINISTER ELABORATES ON INDEXATION  
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PAGE 02 LONDON 20108 131701Z

PAYMENT SCHEME

REF: TEHRAN 11687

BEGIN UNCLASSIFIED:

1. DECEMBER 8 FINANCIAL TIMES REPORTS IRANIAN MINISTER OF PLANNING, DR. ABUDL MAJID MAJIDI, TOLD ROYAL INSTITUTE OF INTERNATIONAL AFFAIRS CTNFERENCE THAT IRA WANTS TO PAY FOR GOODS AND PROJECTS WITH CRUDE OIL AT A COST LARGELY INDEXED ACCORDING TO THE RATE OF INFLATION RECORDED BY THE EXPORTING COUNTRY. THE IDEA IS THAT 75 PERCENT OF THE PRICE INITIALLY SET SHOULD BE ADJUSTED ACCORDING TO THE RATE OF INFLATION OF EXPORTS OF THE SUPPLYING COUNTRY AND THE REMAINING 25 PERCENT IN TERMS OF GOING INTERNATIONAL CRUDE OIL PRICE.

2. THE FT STATES THAT THE PROPOSAL, ATTRIBUTED TO THE SHAH, HAS NOT FIGURED IN CURRENT HAGGLING OVER DEFENSE CONTRACTS BEING UNDERTAKEN BY BRITISH COMPANIES IN IRAN. THE FT ALSO OBSERVES THAT QUITE APART FROM THE ACCOUNTING PROBLEMS INVOLVED AND DIFFICULTIES IN PERSUADING MAJOR OIL COMPANIES TO ACCEPT BARTER OIL, UK CONTRAITORS SAY THAT SUCH DEALS CAN HARDLY BE CONSIDERED AS STRICTLY BILATERAL AS THEY MUST PURCHASE MATERIALS AND SERVICES FOR SUCH PROJECTS AS CHEAPLY AS POSSIBLE WHEREVER THEY CAN. END UNCLASSIFIED.

BEGIN CONFIDENTIAL:

3. THIS LATEST WRINKLE ON INDEXATION SEEMS TO MAKE LITTLE ECONOMIC SENSE. WHILE IT MAY BE GIVEN A POLITE HEARING GIVEN ITS HIGH PARENTAGE, IT IS DOUBTFUL WHETHER IT COULD MEET WITH MUCH SUCCESS EVEN IN A COUNTRY AS HARD UP FOR IRANIAN BUSINESS AS BRITAIN.

4. FCO ENERGY DEPARTMENT CONFIRMS THAT HMG DOES NOT INTEND TO BECOME INVOLVED IN ANY BARTER DEALS ON AN INTER-GOVERNMENTAL BASIS SUCH AS OCCURRED IN 1974. FURTHER, FCO VIEWS OIL ASPECT OF ARMS TRANSACTIONS AS A CASH DEAL IN WHICH OIL PLAYS A COUNTERPART ROLE TO THE MAIN COMMERCIAL TRANSACTION, E.G., THE SIDE DEAL BETWEEN BAC AND SHELL WHEREBY THE LATTER DOES NOT BECOME INVOLVED CONFIDENTIAL

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PAGE 03 LONDON 20108 131701Z

TRACTUALLY WITH THE NATIONAL IRANIAN OIL COMPANY OR THE GOI.

ARMSTRONG

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** PETROLEUM, ARMS, PRESS COMMENTS, BARTER TRADE  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 13 DEC 1976  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** GolinoFR  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1976LONDON20108  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** GS  
**Errors:** N/A  
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**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
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**Page Count:** 3  
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**Previous Handling Restrictions:** n/a  
**Reference:** 76 TEHRAN 11687  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** GolinoFR  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 06 APR 2004  
**Review Event:**  
**Review Exemptions:** n/a  
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**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** IRANIAN MINISTER ELABORATES ON INDEXATION CONFIDENTIAL CONFIDENTIAL  
**TAGS:** ENRG, UK, IR, (MAJIDI, ABUDL MAJID)  
**To:** STATE  
**Type:** TE  
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